

The Tech IPO Freeze

WHAT CREATING VALUE TODAY COULD MEAN
FOR TOMORROW'S EXITS



At the end of 2023, tech founders were optimistic that 2024 would be their year to IPO. Unfortunately, those hopes turned out to be premature — uncertainty around inflation, interest rate cuts, and the U.S. election have made for unfavorable market conditions. As a result, many companies chose to delay their planned IPOs — or consider other exits entirely.

While most tech founders aren't pursuing IPOs this year, that doesn't mean they're choosing to remain idle. As they weathered the economic volatility of 2022 and 2023, tech companies [prioritized value creation](#) to improve their stability and position themselves for a market reopening. Now, tech companies are building on that success — deploying tactics like cleaning up their financial statements and divesting low-performing parts of their businesses — so they'll be prepared to go public as soon as market conditions improve.

That proactivity could pay off soon. We expect to see the IPO window start to reopen for tech in the first quarter of 2025, due to greater stability and investor confidence following the presidential election. Tech founders who have been proactive about value creation in the interim will be better positioned to move when the market turns around.



Tech IPOs on Ice

Despite the chilly conditions, 2024 has seen some [notable tech IPOs](#). However, most of the tech companies that have chosen to go public this year are large, well-established companies with a reasonable expectation of commanding a desirable market price.

Valuations are lower than most tech founders would like, due largely to ongoing economic and social instability. The resulting market conditions make IPOs higher risk, pushing tech founders to consider other avenues.

Strategic sales, for example, remain a popular exit for tech founders. While an IPO may fail to secure the desired price, a strategic sale offers guaranteed returns for the founder. Strategic sales to larger tech companies are also increasingly popular with private equity (PE) firms, many of which have held onto investments longer than normal due to adverse market conditions, making it difficult to find other PE firms willing to buy those investments. In the second half of 2024, we expect to see more tech companies and PE firms opting to pursue strategic sales.



The End of the Ice Age

While there's no way to know for sure when market conditions will stabilize, there are reasons to believe we may see an uptick in IPO interest in the first quarter of 2025.

By that time, the election — a major driver of instability — will be over and the Fed will likely have started cutting interest rates. This combination of conditions should improve market stability, which could allow tech founders to secure a higher listing price.

When the IPO market reopens, we expect to see investors favor companies with proven business models and high growth potential. That means that middle-market tech companies and tech startups may see their chance to IPO in early 2025.

ARE YOU ASKING YOURSELF THE RIGHT QUESTIONS?

To set yourself up for IPO success, you need to ask questions that bring you insights beyond the obvious. The right questions can help you overcome hidden roadblocks and unlock opportunities to navigate the IPO process with confidence.

Review our insight to take your readiness to the next level by asking better IPO questions.



Looking Ahead

Nobody has a crystal ball, so we can't say for certain when the IPO window will crack open. Savvy tech founders know that the market can be unpredictable, and IPO timelines are long, so it's best to prepare now to seize the moment when it happens. Otherwise, the company may miss its IPO opportunity.



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